

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

EXAMINATION REPORT  
OF  
CALUMET TOWNSHIP  
LAKE COUNTY, INDIANA  
January 1, 2008 to December 31, 2010



**FILED**  
04/29/2011



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Mary Elgin	01-01-07 to 12-31-14
Chairman of the Township Board	Ronald Matlock	01-01-08 to 12-31-08
	Alex Cherry, Jr.	01-01-09 to 12-31-09
	Ronald Matlock	01-01-10 to 12-31-10
	Alex Cherry, Jr.	01-01-11 to 12-31-11



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF CALUMET TOWNSHIP, LAKE COUNTY, INDIANA

We have examined the financial information presented herein of Calumet Township (Township), for the period of January 1, 2008 to December 31, 2010. The Township's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Township for the years ended December 31, 2008, 2009 and 2010, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

March 17, 2011

CALUMET TOWNSHIP, LAKE COUNTY  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
As Of And For The Years Ended December 31, 2008, 2009 And 2010

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
<b>Governmental Funds:</b>				
Township	\$ 462,030	\$ 11,059,595	\$ 11,511,076	\$ 10,549
Township Assistance	2,065,691	33,642,152	33,931,701	1,776,142
Public Safety/Emergency Services	332,572	1,517,241	1,677,624	172,189
Recreation	263,889	980,240	1,182,890	61,239
Community Services/Building	227,385	1,008,232	1,114,875	120,742
WDS Grant	19,956	820	9,505	11,271
City of Gary Grant	384,029	6,084	1,022	389,091
CTT North Annex	3,188	73,554	54,729	22,013
Rainy Day	114,830	5,598,126	5,500,463	212,493
Second Hand Smoke Grant	-	3,600	3,600	-
Cessation Grant	-	3,600	2,816	784
Township Assistance Emergency Loan	-	307,744	307,744	-
<b>Fiduciary Funds:</b>				
M-Account Civil	264	597,516	597,628	152
M-Account Township Assistance	840	1,368,930	1,368,871	899
<b>Totals</b>	<b>\$ 3,874,674</b>	<b>\$ 56,167,434</b>	<b>\$ 57,264,544</b>	<b>\$ 2,777,564</b>
	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
<b>Governmental Funds:</b>				
Township	\$ 10,549	\$ 3,697,825	\$ 3,470,706	\$ 237,668
Township Assistance	1,776,142	28,204,327	27,619,242	2,361,227
Public Safety/Emergency Services	172,189	1,538,575	1,153,949	556,815
Recreation	61,239	1,101,559	837,898	324,900
Community Services/Building	120,742	940,227	845,190	215,779
WDS Grant	11,271	395	5,095	6,571
City of Gary Grant	389,091	1,284	644	389,731
CTT North Annex	22,013	56,130	76,390	1,753
Rainy Day	212,493	6,020,102	6,105,000	127,595
Cessation Grant	784	7,918	8,702	-
<b>Fiduciary Funds:</b>				
M-Account Civil	152	551,092	551,071	173
M-Account Township Assistance	899	1,115,757	1,115,320	1,336
<b>Totals</b>	<b>\$ 2,777,564</b>	<b>\$ 43,235,191</b>	<b>\$ 41,789,207</b>	<b>\$ 4,223,548</b>
	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
<b>Governmental Funds:</b>				
Township	\$ 237,668	\$ 3,016,156	\$ 3,108,176	\$ 145,648
Township Assistance	2,361,227	19,733,708	18,946,186	3,148,749
Public Safety/Emergency Services	556,815	1,595,956	1,877,579	275,192
Recreation	324,900	713,024	840,330	197,594
Community Services/Building	215,779	700,252	788,723	127,308
WDS Grant	6,571	-	336	6,235
City of Gary Grant	389,731	195	778	389,148
CTT North Annex	1,753	56,308	56,588	1,473
Rainy Day	127,595	6,105,554	5,873,000	360,149
Levy Excess	-	39,029	-	39,029
<b>Fiduciary Funds:</b>				
M-Account Civil	173	422,845	425,434	(2,416)
M-Account Township Assistance	1,336	871,981	872,661	656
<b>Totals</b>	<b>\$ 4,223,548</b>	<b>\$ 33,255,008</b>	<b>\$ 32,789,791</b>	<b>\$ 4,688,765</b>

The accompanying notes are an integral part of the financial information.

CALUMET TOWNSHIP, LAKE COUNTY  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Township was established under the laws of the State of Indiana. The Township provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The Township uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Township in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the Township to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

CALUMET TOWNSHIP, LAKE COUNTY  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 6. Interfund Transfers

Interfund transfers for the years ended December 31, 2008 and 2009, were as follows:

Transfer From	Transfer To	2008	2009
Township Fund	Rainy Day Fund	\$ 51,113	\$ -
Township Assistance Fund	Rainy Day Fund	766,103	419,876
Public Safety/Emergency Services Fund	Rainy Day Fund	299,021	55,769
Recreation Fund	Rainy Day Fund	55,341	9,044
Community Services/Building Fund	Rainy Day Fund	47,561	60,042
Totals		<u>\$ 1,219,139</u>	<u>\$ 544,731</u>

The Township typically uses transfers for cash flow purposes as provided by various statutory provisions.

Note 7. Temporary Interfund Loans

Temporary interfund loans for the years ended December 31, 2008, 2009, and 2010, were as follows:

Loan From	Loan To	Loans Outstanding 01-01-08	2008 Loans	2008 Repayments	Loans Outstanding 12-31-08
Rainy Day Fund	Township Fund	\$ 770,000	\$ 770,000	\$ 770,000	\$ 770,000
	Township Assistance Fund	2,600,000	3,800,000	2,600,000	3,800,000
	Public Safety/ Emergency Services Fund	300,000	300,000	300,000	300,000
	Recreation Fund	373,000	273,000	373,000	273,000
	Community Services/Building Fund	332,000	332,000	332,000	332,000
Township Assistance Fund	Township Assistance Emergency Loan Fund	253,213	-	253,213	-
Totals		<u>\$ 4,628,213</u>	<u>\$ 5,475,000</u>	<u>\$ 4,628,213</u>	<u>\$ 5,475,000</u>

Loan From	Loan To	Loans Outstanding 01-01-09	2009 Loans	2009 Repayments	Loans Outstanding 12-31-09
Rainy Day Fund	Township Fund	\$ 770,000	\$ 900,000	\$ 770,000	\$ 900,000
	Township Assistance Fund	3,800,000	3,800,000	3,800,000	3,800,000
	Public Safety/ Emergency Services Fund	300,000	800,000	300,000	800,000
	Recreation Fund	273,000	273,000	273,000	273,000
	Community Services/Building Fund	332,000	332,000	332,000	332,000
Totals		<u>\$ 5,475,000</u>	<u>\$ 6,105,000</u>	<u>\$ 5,475,000</u>	<u>\$ 6,105,000</u>

CALUMET TOWNSHIP, LAKE COUNTY  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Loan From	Loan To	Loans Outstanding 01-01-10	2010 Loans	2010 Repayments	Loans Outstanding 12-31-10
Rainy Day Fund	Township Fund	\$ 900,000	\$ 1,100,000	\$ 900,000	\$ 1,100,000
	Township Assistance Fund	3,800,000	3,800,000	3,800,000	3,800,000
	Public Safety/Emergency Services Fund	800,000	400,000	800,000	400,000
	Recreation Fund	273,000	273,000	273,000	273,000
	Community Services/Building Fund	<u>332,000</u>	<u>300,000</u>	<u>332,000</u>	<u>300,000</u>
Totals		<u>\$ 6,105,000</u>	<u>\$ 5,873,000</u>	<u>\$ 6,105,000</u>	<u>\$ 5,873,000</u>

The Township typically uses interfund loans for cash flow purposes to fund ongoing operations in anticipation of current revenues.

Note 8. Tax Anticipation Warrants

The Township Board passed various resolutions authorizing the issuance of tax anticipation warrants, and the extension of their repayment dates, for property taxes receivable in 2008, 2009, and 2010, as necessary due to the property tax cycle in Lake County. Tax anticipation warrant transactions for 2008, 2009, and 2010, and the balance outstanding at December 31, 2008, 2009, and 2010, are detailed in the following schedule:

Fund	Warrants Outstanding 01-01-08	2008 Warrants Issued	2008 Warrants Repaid	Warrants Outstanding 12-31-08
Township	\$ 861,265	\$ 1,020,809	\$ 1,242,328	\$ 639,746
Township Assistance	6,099,166	9,271,332	10,734,832	4,635,666
Public Safety/Emergency Services	-	285,000	285,000	-
Recreation	132,706	209,712	342,418	-
Community Services/Building	<u>133,776</u>	<u>214,534</u>	<u>348,310</u>	<u>-</u>
Totals	<u>\$ 7,226,913</u>	<u>\$ 11,001,387</u>	<u>\$ 12,952,888</u>	<u>\$ 5,275,412</u>
Fund	Warrants Outstanding 01-01-09	2009 Warrants Issued	2009 Warrants Repaid	Warrants Outstanding 12-31-09
Township	\$ 639,746	\$ 859,013	\$ 1,058,591	\$ 440,168
Township Assistance	4,635,666	6,413,346	7,842,339	3,206,673
Recreation	-	256,794	105,941	150,853
Community Services/Building	<u>-</u>	<u>190,144</u>	<u>95,072</u>	<u>95,072</u>
Totals	<u>\$ 5,275,412</u>	<u>\$ 7,719,297</u>	<u>\$ 9,101,943</u>	<u>\$ 3,892,766</u>
Fund	Warrants Outstanding 01-01-10	2010 Warrants Issued	2010 Warrants Repaid	Warrants Outstanding 12-31-10
Township	\$ 440,168	\$ 720,713	\$ 786,892	\$ 373,989
Township Assistance	3,206,673	5,658,995	5,875,808	2,989,860
Public Safety/Emergency Services	-	181,976	90,988	90,988
Recreation	150,853	138,402	210,929	78,326
Community Services/Building	<u>95,072</u>	<u>144,336</u>	<u>167,240</u>	<u>72,168</u>
Totals	<u>\$ 3,892,766</u>	<u>\$ 6,844,422</u>	<u>\$ 7,131,857</u>	<u>\$ 3,605,331</u>

CALUMET TOWNSHIP, LAKE COUNTY  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 9. U.S. Steel Property Tax Assessment Appeal Settlement

On November 30, 2009, a settlement was reached between United States Steel Corporation (U.S. Steel) and the officials of Lake County for the refund of tax overpayments for 2001, 2006, 2007, and 2008. U.S. Steel will receive a net refund of \$13,580,544, including interest, payable in the form of property tax credits against their tax obligations for taxes payable in 2010 through 2013. The approximate decrease in property tax receipts for Calumet Township is 7.97% of the total, or \$270,592 each year 2010 through 2013.

Note 10. Subsequent Events

Temporary Interfund Loans

The Township Board passed Resolution 2010-13 extending the repayment date of the temporary interfund loans outstanding at December 31, 2010, to six months after that date. The outstanding balance of interfund loans at March 17, 2011, are detailed in the following schedule:

Loan From	Loan To	Loans Outstanding 03-17-11
Rainy Day Fund	Township Fund	\$ 1,100,000
	Township Assistance Fund	3,800,000
	Public Safety/Emergency Services Fund	400,000
	Recreation Fund	273,000
	Community Services/Building Fund	<u>300,000</u>
Total		<u>\$ 5,873,000</u>

Tax Anticipation Warrants

On December 8, 2010, the Township Board passed Resolution 2010-11 authorizing the issuance of tax anticipation warrants totaling \$3,259,422 to be repaid by June 30, 2011. Warrants totaling \$1,136,888 and \$2,122,534 were distributed on January 4, 2011 and March 1, 2011, respectively. Tax anticipation warrant transactions for 2008 and the balance outstanding at March 17, 2011, are detailed in the following schedule:

Fund	Warrants Outstanding 01-01-11	2011 Warrants Issued	2011 Warrants Repaid	Warrants Outstanding 03-17-11
Township Fund	\$ 373,989	\$ 137,033	\$ 511,022	\$ -
Township Assistance Fund	2,989,860	2,490,234	3,910,468	1,569,626
Public Safety/ Emergency Services	90,988	29,963	120,951	-
Recreation Fund	78,326	26,928	105,254	-
Community Services/ Building Fund	<u>72,168</u>	<u>22,356</u>	<u>94,524</u>	<u>-</u>
Totals	<u>\$ 3,605,331</u>	<u>\$ 2,706,514</u>	<u>\$ 4,742,219</u>	<u>\$ 1,569,626</u>

CALUMET TOWNSHIP, LAKE COUNTY  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 11. Contingent Liabilities

The Township has been named as a defendant in several pending lawsuits of which the outcome and the amount of potential damages cannot be reasonably estimated.

Note 12. Future Financial Considerations

Indiana Code 6-1.1-20.6 and House Enrolled Act 1001 have, and will continue, to significantly reduce the amount of taxes that the Township is able to collect.

Circuit Breaker Tax Credit

In 2008, the Indiana General Assembly passed House Enrolled Act 1001 (HEA 1001) which provides a property tax credit (the Circuit Breaker Tax Credit) when the taxes on any property exceed a certain percentage of the property's assessed value. The credit was phased in over two years. For taxes payable in 2009 and 2010, the applicable percentages were as follows:

	<u>2009</u>	<u>2010</u>
Homestead (owner-occupied) residential property	1.5%	1%
Other residential property	2.5%	2%
Commercial and industrial property	3.5%	3%

The Circuit Breaker Tax Credit has resulted and will continue to result in a reduction of property tax collections for the Township. Property tax collections for 2009 and 2010 were reduced approximately \$4.5 million each year. Reductions in property tax collections are estimated to be approximately \$6.5 million and \$6.3 million for the years 2011 and 2012, respectively. The estimated reductions for the years 2011 and 2012 constitute approximately 43% and 42%, respectively, of the estimated tax levy, and approximately 53% and 51%, respectively, of the estimated budgets.

A political subdivision may not increase its property tax levy or borrow funds to offset the effects of the Circuit Breaker Tax Credit. The Township has already implemented several cost savings measures. The Township has reduced their workforce by 51 employees since 2008. The south office located on Ridge Road was closed in 2008. The Township has also revised assistance guidelines and reduced certain benefits, including shelter, burial, utility, and medical assistance.

CALUMET TOWNSHIP  
EXAMINATION RESULTS AND COMMENTS

BOARD MINUTES

The minutes for the Township Board record resolutions adopted by the title only; the minutes lack any type of detailed information about the resolution. For example, the minutes will indicate "Resolution 2011-11, Indiana Bond Bank's 2011 Advance Funding Program" with a notation to seek funding to operate until taxes are received. There is no information provided about the funds or amounts of the advance funding being sought which is also true for resolutions approving transfers of funds either on a temporary or permanent basis.

IC 36-6-6-8 states:

"The legislative body shall keep a permanent record of its proceedings in a book furnished by the executive. The secretary of the legislative body shall, under the direction of the legislative body, record the minutes of the proceedings of each meeting in full and shall provide copies of the minutes to each member of the legislative body before the next meeting is convened. After the minutes are approved by the legislative body, the secretary of the legislative body shall place the minutes in the permanent record book. The chairman of the legislative body shall retain the record in his custody."

CONDITION OF RECORDS AND REPORTING

The following deficiencies relating to the recordkeeping and annual reporting were noted:

1. The Township implemented a new computerized accounting software system in 2006 to account for the financial activity of the Township. The forms generated by the new software have not been submitted to the State Board of Accounts for approval.
2. The receipts and disbursements reported annually in the Annual Report are overstated significantly due to recorded transactions which do not affect cash. Recorded transactions which overstate both receipts and disbursements each month include items such as adjustments for errors, voided checks, and reissued checks. Additionally, reconciling items due to timing differences between the months must be recorded and later reversed which also overstates both receipts and disbursements. These adjustments are reported as "Memo Only" and are compiled manually on a spreadsheet in order to balance the receipts, disbursements, and cash balances to the depository transactions and balances each month.
3. The amounts reported for receipts and disbursements were not all readily obtained from the general ledger reports. Miscellaneous receipts reported are a combination of the general ledger amounts and the manually compiled "Memo Only" adjustments noted above. Budgeted funds' disbursements are a combination of three amounts. Two separate expense reports must be added for disbursements for which appropriations are available; one which reports current budget year disbursements and one which reports disbursements paid from encumbered funds from the previous budget year. Additionally, the manually compiled "Memo Only" adjustments noted above must be added to the ledger amounts for total disbursements. Furthermore, the adjustments, as well as disbursements for repayments of tax anticipation warrants and temporary interfund loans, were not consistently reported for the three year examination period. The amounts were reported as Other Services and Charges or Transfers of Funds for 2008 and reported as Capital Outlay or Transfers of Funds for 2009 and 2010.

CALUMET TOWNSHIP  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

4. Part 12, Report of Financial Assistance to Nongovernmental Agencies, of the Township Annual Report was not completed for 2008 or 2010.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

The computerized accounting system must maintain electronic audit trails sufficient to trace all transactions from original source of entry into the system, through all system processing, and to the results produced by the system. The audit trails must also maintain sufficient information to trace all transactions from the final results produced by the system, through all system processing, and to the original source of entry into the system. Audit trails must also identify the user that processed the transaction or updated the information. These audit trails must be protected from modification and deletion. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 14)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

INTERNAL CONTROL OVER RECEIPTS

The following deficiencies relating to accounting for official receipts were noted:

1. Receipts are not individually recorded in the accounting system; the total for each group of receipts deposited at the same time is entered. The deposits could include an individual official receipt for items such as property tax receipts or bank account interest; however, most deposits include several official receipts for items such as MPC rentals, EMS ambulance services fees, and Township Assistance client reimbursements. The total deposit amount is entered and assigned a deposit number by the computerized accounting system. Because individual receipt numbers are not recorded, we were unable to verify that all official receipts were properly accounted for.
2. Due to the issues regarding the overstatement of receipts in the Annual Report discussed in the comment entitled "Condition of Records and Reporting", deposits are not posted to the general ledger until the following month. We were advised deposits are not posted until after the records are reconciled with the depository transactions and balances for the month to avoid recording adjustments which would overstate the receipts for the month and year. Because deposits are not recorded until the following month, receipts are not officially recorded at the time of the transaction and the true financial position of the Township is not currently available and changes can be made to the deposit details, including the dollar amount. Such changes would not be recorded in the system to produce an audit trail of the changes made.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

CALUMET TOWNSHIP  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

The computerized accounting system must maintain electronic audit trails sufficient to trace all transactions from original source of entry into the system, through all system processing, and to the results produced by the system. The audit trails must also maintain sufficient information to trace all transactions from the final results produced by the system, through all system processing, and to the original source of entry into the system. Audit trails must also identify the user that processed the transaction or updated the information. These audit trails must be protected from modification and deletion. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 14)

The computerized accounting system must incorporate features that assure all accounting information is reported accurately and completely. Procedures must also exist to assure that only authorized individuals have access to computer generated output. All receipts or payments generated by the accounting system must include unique document identification numbers either preprinted on the form or printed on the form by the application system. If the numbers are printed on the form by the application system, adequate security must be implemented to prevent unauthorized modification of the number sequence. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 14)

BILLING AND COLLECTION OF AMBULANCE SERVICE FEES

We noted the following deficiencies in the procedures for billing and collection of ambulance service fees:

1. Ambulance service fees were being collected without proper authorization. The rate for ambulance services increased significantly beginning January 1, 2009. The base rate increased from \$115 to \$350 and the mileage rate increased from \$3.50 to \$12.00 per mile without a properly authorized resolution by the Township Board.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

2. We could not determine if the Township was in compliance with Resolution 98-49 regarding billing and collection procedures due to the following:
  - a. The Ambulance Ledger maintained by Township personnel for 2008 services did not always appear to be complete. The resolution requires four invoices to be sent; however, the notations in the Ledger did not always document that all invoices were sent in accordance with Resolution 98-49. Also, the Ledger did not document if the charges were settled.
  - b. The Township entered into a contract with an outside service organization for billing and collection services beginning January 1, 2009 through August 31, 2010. The contract required the contractor to provide Status Reports - written statements showing the outcome of each collection account; however, no written statements were presented for examination.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

CALUMET TOWNSHIP  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

3. Insurance claims were not always filed timely:
  - a. Medicare claims must be submitted within one year of service to avoid a late filing fee; however, we noted late filing fees deducted from some payments received.
  - b. A comparison of ambulance service dates to the original billing dates revealed an average filing time of over 100 days for 2008.
  - c. Claims filed by the contractor for 2009 and 2010 appeared to be within the same month as the service; however, the records provided included a date range, not an actual submission date.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

4. Resolution 98-49 details the procedures for accounts that have been determined to be uncollectible; however, the Resolution does not describe the procedures or circumstances that cause an account to be deemed uncollectible.

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances. Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

## PAYROLL ISSUES

### Salary Resolution

The salary resolution adopted by the Township Board addresses all compensation as an annual salary which includes employees who are paid at an hourly rate. Due to the fluctuation in number of hours an hourly employee may work, their actual annual compensation will most likely exceed or not meet the annual salary adopted by the Township Board.

The annual salaries approved by the Township Board are divided by 26 to determine the biweekly amounts to be paid. We noted in some years, including 2009, the employees received 27 pays. Thus, all salaried employees paid biweekly were paid in excess of the annual salary amount adopted by the Township Board in the salary resolution.

CALUMET TOWNSHIP  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Two Information Systems and Technology employees received additional compensation, in 2008, which was not included in the salary resolution approved by the Township Board. These two employees are paid from the Township Assistance Fund, but the additional compensation was paid from the Township Fund. The additional compensation was documented in a "Personnel Action" document which was approved by the Chief Deputy and the Personnel Administrator. The "salary supplements" of \$10,000 and \$3,000, respectively, were paid from January 18, 2008 through July 7, 2008.

IC 36-6-6-10 (b) states: "The township legislative body shall fix the: (1) salaries; (2) wages; (3) rates of hourly pay; and (4) remuneration other than statutory allowances; of all officers and employees of the township."

IC 36-6-6-10 (d) states: "Except as provided in subsection (h), the township legislative body may not alter the salaries of elected or appointed officers during the fiscal year for which they are fixed, but it may add or eliminate any other position and change the salary of any other employee, if the necessary funds and appropriations are available."

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Employee Service Records

The employee service records are not being properly maintained. The Employee Service Record for the Deputy of Information and Technology, in 2008, indicated eight hours worked per day; however, his timesheet recorded hours worked in excess of the normal eight hours per day on several days during the year.

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

General Form 99A, Employees' Service Record  
General Form 99B, Employee's Earnings Record  
General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 17)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Compensated Leave

Some employees were granted and paid vacation and sick leave in advance of earning such leave time. The approved vacation leave policy states, "Employees may not take paid vacation until they have actually earned the vacation." The approved sick leave policy states, "Sick leave will not be advanced." We noted in all cases, the Employee's Service Record indicated that vacation or sick leave was being advanced against the next accrual period.

CALUMET TOWNSHIP  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

IC 5-7-3-1 (a) states: "Public officers may not draw or receive their salaries in advance."

Payroll Advances

A few employees are receiving pay in advance of the paycheck date. Most occurrences were observed for the months of October through December 2010 where the funds were transferred to their checking accounts from three to seven days prior to the electronic transfer of funds for the other employees. One instance was also observed for July 2008.

IC 5-7-3-1 (a) states: "Public officers may not draw or receive their salaries in advance."

Fringe Benefit Not Reported

We noted for the examination period, nine employees and the Trustee were provided with "take home" vehicles. The Federal Wage and Tax Statements (Form W-2) for all of the employees had an amount included as "fringe benefit" for the value of the take home vehicle, but the Federal Wage and Tax Statement (Form W-2) for the Trustee did not include a "fringe benefit" for any of the three years examined.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

DISBURSEMENTS

Lack of Itemized Vendor Invoices

Claims provided for examination were not always properly supported through the attachment of itemized vendor invoices. An example is the Township provides a Fall Blues and Jazz Night each year and the deposit for the catering, as well as the payment for entertainment, is based upon an internally prepared proposal. Neither vendor providing services submitted an itemized invoice to substantiate the estimates made by the Township employee in the proposal.

The Township paid \$1,000 in 2009 to a local grocery store. We noted the claim indicated that the payment was for the purchase of food baskets; however, an invoice showing items purchased indicated twenty (20) \$50 Gift Cards were purchased.

CALUMET TOWNSHIP  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Hotel invoices are not used as the basis for remittances for overnight accommodations for the Trustee and her employees when required to stay overnight in Indianapolis. Instead, hotel rates from the hotel's website were attached to the claims and these did not always agree to the amount of the check.

All claims, invoices, receipts, accounts payable vouchers, including those presented to the governing body for approval in accordance with IC 5-11-10, should contain adequate detailed documentation. All claims, invoices, receipts, and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for which amounts are claimed, including the nature, name, and purpose of the business meeting, to enable the governing body to authorize payment. Payments which do not have proper itemization showing the business nature of the claim may be the personal obligation of the responsible official, employee or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Per Diem and Meal Payments

The Township pays a per diem to the Trustee and employees when traveling on Township business which per diem is not reimbursed as required by State statute; and is paid in advance of the travel.

Furthermore, in 2008 and 2009 the Trustee attended meetings for which she was advanced per diem. She also charged meals on the Township credit card totaling \$181.32, and \$128.59, respectively. The cost of the meals was not reimbursed to the Township by the Trustee. The Trustee indicated that the meals were provided to discuss business items with colleagues and legislators; although no information was provided on the invoices to indicate who attended or the business nature of the "business meals", except for one invoice. One of the invoices from 2009 was for a restaurant in Lafayette in the amount of \$55.59. The Trustee indicated the attendees as herself, the Township's financial consultant, and four other township employees. The business nature of the evening meal, for which we noted she and two of the employees also received per diem, was not indicated.

IC 36-6-6-12 (b) states:

"Each representative of the township attending any meeting, conference, seminar, or convention approved by the township trustee shall be allowed reimbursement for all necessary and legitimate expenses incurred while representing the township. Expenses shall be paid to each representative in accordance with the township's reimbursement policy, which may include an established per diem rate, as recommended by the township trustee and adopted by the township legislative body."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

All claims, invoices, receipts, accounts payable vouchers, including those presented to the governing body for approval in accordance with IC 5-11-10, should contain adequate detailed documentation. All claims, invoices, receipts, and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for

CALUMET TOWNSHIP  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

which amounts are claimed, including the nature, name, and purpose of the business meeting, to enable the governing body to authorize payment. Payments which do not have proper itemization showing the business nature of the claim may be the personal obligation of the responsible official, employee or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Credit Card Usage

A credit card is used by the Trustee. Most items purchased with the credit card are supported by vendor invoices; however, invoices generally are not retained for fuel purchases. Additionally, some charges were made by employees of the Township, not the Trustee. The Township does not maintain a purchase log to indicate authorized users of the credit card or the estimated amounts to be charged as required by credit card usage guidelines.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed: . . .

5. The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc. . . .
7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Computer Software Controls

The Township uses a computer software program to process claims and checks. When entering information to generate checks, clerks are able to backdate checks. Clerks indicated they will backdate checks if the system "crashes" on the date that they normally process checks. We could not determine if checks can be backdated to closed accounting periods.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of managements' objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 14)

TOWNSHIP VEHICLES

The Township Trustee and nine employees were provided Township owned "take home" vehicles. We reviewed at least one mileage log from 2009 and one from 2010 for four of the nine employees. We also requested the mileage log from the Trustee, but one is not maintained. The following are the results of our review of the mileage logs presented.

CALUMET TOWNSHIP  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

The Chief Deputy indicated she drives from home to "Calumet Township Business." Based upon the odometer readings entered on the logs, the miles driven vary from week to week from 109 to 191 miles. The mileage logs are not filed timely by the Chief Deputy. For example, the mileage logs she submitted from January to August 2009 were all signed on November 19, 2009, and mileage logs for April to June 2010 were not signed until July 12, 2010.

The Deputy of Job Search/Workfare indicated he drives from the "Main Office" to the "Main Office". Based upon the odometer readings entered on the logs, the miles driven per day for 2009 varied from 27 to 77 miles, and in 2010 daily miles varied from 16 to 61 miles per day. He also indicated he drove 25 miles in 2010 on Township business on a day he was off due to a holiday.

The Deputy of Information Systems and Technology indicated he drives from "Township Business" to "Township Business". For the mileage log reviewed from September, 2009 he indicated he drove between 4 and 14 miles per day. He also indicated he drove on township business on weekends, holidays, and when he was on vacation leave per his time sheets and Employee Service Record. For October 2010, his daily miles varied from 36 to 1,396, and mileage was also claimed as township business for weekends and holidays.

The Deputy/Executive Aide also indicated he drives from the "Main Office" to the "Main Office". The mileage log reviewed for 2009 showed he drove between 9 to 253 miles per day, and indicated he also drove on township business on 3 Saturdays; however, his Employee Service Record and time sheets do not indicate any hours were worked. For December, 2010, he drove between 18 and 236 miles per day. He showed he drove on township business on all 5 weekends reported for the month, as well as on December 3, 22, and 23, when his Employee Service Record and timesheet indicated that he was on vacation. He also indicated he drove on township business on December 24 and 31, both of which were holidays for the Township.

IC 36-6-4-4 and IC 36-6-8-3 now provide a trustee may use a township vehicle if authorized by the township board for official duties. A trustee may not also claim mileage reimbursement when using a township vehicle for official duties. A township trustee shall maintain a mileage log when using a township vehicle. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

Assets of the governmental unit may not be used in a manner unrelated to the functions and purposes of the governmental unit.

Whenever an item or other asset owned by the political subdivision is entrusted to an officer or employee, to be used at times outside the normal work time for business purposes, such as a cellular phone, or vehicle, a log should be maintained which clearly shows the business use. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

COSTS BORN BY THE ASSISTANCE FUND

The Township employs information technology personnel, a chief deputy, and a building and maintenance supervisor whose payroll expenses are paid entirely from the Township Assistance fund, rather than being allocated to other funds including the Township Fund which benefit from their services.

For each of the years under examination, the Township has contracted with a financial consultant who is paid, according to the contracts, \$30,000 from the Township Fund, and \$30,000 from the Township Assistance Fund for a total of \$60,000. According to the two contracts, for which the wording for the

CALUMET TOWNSHIP  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

scope of the engagement is identical, the contractor is to be paid a fixed fee for services of \$30,000 per year (\$2,500/month). The contractor, in accordance with each of the contracts, agrees to the following services:

Accounting and Recordkeeping

The Contractor indicates they have gained an understanding of the key accounting policies, principals, and procedures being followed, recordkeeping methods and data maintenance, file structures and file contents, and timeliness of reporting and reporting mechanisms. If recommendations for changes are noted, as they pertain to the accounting functions, they will be discussed with management, and they will assist with implementing changes as directed by management. The work will be performed on an ongoing basis.

Financial Statements and State Reporting

The Contractor agrees to review journal entries, request and/or perform specific account analysis, compare budget to actual, review the assumptions used in the expense accruals, revenue recognition, and tax calculations, and perform other procedures as needed. The monthly financial statements and periodic reporting to the State will be prepared by the Township.

Municipal and State Compliance

The Contractor indicates he will interface with the State Board of Accounts and the Indiana Department of Local Government Finance on various issues related to Township compliance and reporting activities.

Special Projects

Underwritten authorization of management, the Contractor will assist with various projects of the Township. "These can include, but are not limited to, cash management, other tax issues, personnel procedures, review of insurance coverage, computer/software installation, financing arrangements, training of accounting personnel, liaison with vendors and customers or other professionals engaged by the company, and assistance with development of operating budgets and forecasts."

Additional services that may be provided "that are not included under the scope of the contract will be billed at our normal per diem rates or as mutually agreed in advance."

The invoices to be paid from both the Township Fund and the Township Assistance Fund submitted by the contractor reiterate the wording in the contract. For the invoices paid from the Township Assistance Fund, dates services are performed or how the services relate to administering township assistance are not indicated.

The Township paid an additional \$18,500 to the Contractor to assist with tax anticipation warrant funding. Apparently, these services were not considered to be in scope of "other tax issues" or "financing arrangements." The entire cost for each of the three years, was charged to the Township Assistance Fund which accounted for between 83% to 85% of the tax anticipation warrant funding received. The cost of the funding was not allocated among all funds receiving the assistance.

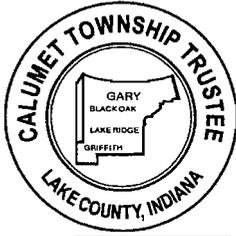
CALUMET TOWNSHIP  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

IC 12-20-4-1 states: "The township trustee may pay out of township assistance money the necessary office expense and clerical or other help necessary to properly administer township assistance."

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

CALUMET TOWNSHIP, LAKE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on March 17, 2011, with Mary Elgin, Trustee; Donna Frazier, Chief Deputy; Denise Roberts, Finance Deputy; and Alex Cherry, Jr., Chairman of the Township Board. The official response has been made a part of this report and may be found on pages 22 through 29.



**CALUMET TOWNSHIP**  
**Lake County, Indiana**

**MARY ELGIN, Trustee**

Main Office: 35 East 5th Avenue, Gary, IN 46402 (219) 886-5200 Fax: (219) 886-5233

Multi-Purpose Center: 1900 West 41st Avenue, Gary, IN 46408 (219) 981-4023

South Office: 637 East Ridge Road, Gary, IN 46409 (219) 980-7500

North Annex: 487 Broadway, Gary, IN 46402 (219) 880-2201

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March 30, 2011

State Board of Accounts  
302 W. Washington Street, Rm. E 418  
Indianapolis, IN 46204-2765

To Whom it May Concern:

Enclosed is the response to the SBA Exit Conference of March 15, 2011.

Having reviewed your list of concerns, herewith is our response.

Please do not hesitate to contact me if there is any other clarification needed.

Sincerely,

  
Mary Elgin, Trustee



**CALUMET TOWNSHIP**  
**Lake County, Indiana**  
**MARY ELGIN, Trustee**

Main Office: 610 Connecticut Street, Gary, IN 46402 (219) 880-4000 Fax: (219) 880-1851  
Multi-Purpose Center: 1900 West 41st Avenue, Gary, IN 46408 (219) 981-4023  
North Annex: 487 Broadway, Gary, IN 46402 (219) 880-2201

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**RESPONSE TO SBA CALUMET TOWNSHIP EXAMINATION 2011**

Enclosed is the response to the SBA Exit Conference of March 15, 2011.

My staff and I are always pleased to provide your personnel all documents or explanations pertinent to their audits. We pride ourselves on running a professional, transparent local government entity. I realize that sometimes, although rarely, certain nuances of state law or SBA guidelines escape us and we might err inadvertently. However, through these audits we get to learn what is admissible and what not and have a record of full compliance with any valid SBA recommendation.

It may be that members of the public are unaware of our diligence and might even communicate erroneous concerns to the SBA. But, I believe, our record of full cooperation with you shows our commitment to good governance.

Having reviewed your list of concerns, herewith is our response. I hope it meets with your approval.

-22-

**BOARD MINUTES**

Calumet Township resolutions are adopted by both resolution number and title. The township has minutes that discuss the pertinent details of the resolution, per township attorney's recommendation. Additionally, full copies of ALL resolutions are available for examination by the State Board of Accounts (SBA) and any others who make a request. The township will discuss the need for additional notation in the minutes with its attorney and will consider providing additional detail regarding the resolution in the minutes.

**CONDITION OF RECORDS AND REPORTING**

1. As noted in the examination comments, the township implemented a new, computerized accounting system in 2006. The appropriate forms were submitted to the SBA for approval. However, if necessary, the township will resubmit the forms for approval again.
2. We disagree with the examiner's statement that the receipts and disbursements are being overstated significantly by adjustments, voided checks, and reissued checks. As discussed with the examiners, because the township reports on a *cash* basis of accounting versus an *accrual* basis, both receipts and disbursements are materially and significantly overstated on the Annual Report. The items that are included in the *receipts* that significantly overstate receipts are tax anticipation advances and inter-fund transfers. The items that

are included in the *disbursements* that significantly overstate disbursements are repayment of tax anticipation advances and repayment of transfers.

3. We strongly disagree with the examiners statement that the amounts reported for receipts and adjustments were not readily obtained from the general ledger. Since 2008, we have been waiting on instructions from the SBA on how to handle this situation. In 2007, there were line items (Misc. Disbursed and Transfer of Funds) on Part 3A – Page 1: Disbursements By Function for Township and Township Assistance Funds (see attached schedules). In 2007, the township placed repayment of tax anticipation warrants, temporary loans and adjustments in the line item labeled “Misc. Disbursed”. In 2008 and subsequent years, the line item labeled “Misc. Disbursed” has been removed. The SBA did not provide a new line item on the Annual Report to report repayment of tax anticipation warrants, temporary loans and adjustments. Township staff contacted the SBA in 2008, 2009 and 2010 to ask where to place repayment of tax anticipation warrants, temporary loans and adjustments. We did not obtain an answer to this question. Therefore, in 2008, the township elected to place repayment of tax anticipation warrants, temporary loans and adjustments in the category “Other Services and Charges”. However, we quickly recognized that placing them in this line item significantly overstated the amounts paid in this category. Thus, in 2009 and 2010, the township placed them in the Capital Outlay category. We believe that this also distorts the financial reporting because this line item should be utilized for capital purchases. However, because we were not provided with an answer to this question by the SBA and we had to remit the forms in a timely manner, we elected to place repayment of tax anticipation warrants, temporary loans and adjustments on the form in the place that we thought was best. Again, we are waiting on instructions from the SBA on how to handle this situation. Finally, this confusion regarding overstatement of financials can be resolved if the state adopted the Modified-Accrual Basis of accounting. Again, we have proposed this to the SBA but the recommendation has been met with resistance.
4. The township will amend the Annual Report to include Part 12 (see attached).

### **INTERNAL CONTROL OVER RECEIPTS**

1. As noted in the examination comments, receipts are not individually entered into the accounting system. This has been a practice of Calumet Township since computers were first installed in the township in the mid-1990’s. Although this is the case, a system of internal controls and checks and balances exist within the township. The township maintains a copy of all checks that were included in a batch along with the deposit ticket that shows the amount that agrees to the accounting system. Furthermore, on a weekly and monthly basis, the Township Financial Consultant and other township personnel review the financial activity of the township. In addition to the review, if there is a change that is made in the accounting system related to a deposit, the system will not allow the entry to be removed. Thus, this serves as an additional check and balance. Even with the controls in place as stated above, the township will begin entering deposits into the system on an individual basis and will continue to perform the control procedures identified above.
2. We strongly disagree that because posting does not take place, that the annual report is overstated. The examiners were provided detailed records substantiating that deposits, once entered into the accounting system, are readily available to view on printed reports. The issue with posting is a separate, distinct issue of how the new accounting system processes transactions. When the system was first purchased, we posted transactions as they were entered into the system. However, we soon discovered that once an item is posted, the system does not allow for posted items to be removed from the system (“the audit trail”).

2007

PART 3A - PAGE 1: DISBURSEMENTS BY FUNCTION FOR TOWNSHIP, FEDERAL REVENUE SHARING AND TOWNSHIP ASSISTANCE FUNDS (REPORT IN DOLLARS AND CENTS ONLY)

TOWNSHIP FUND		Township General Government	Public Safety Emergency Services	Recreation	Community Services					TOTAL TOWNSHIP FUND	
	Code	0101	1101	1312	0601	Code				N/A	Code
1. Personal Services	1000	800,082.52	530,526.72	226,644.00	292,609.58	1000				1,849,862.82	1000
2. Supplies	2000	31,000.39	25,228.04	14,692.40	4,326.38	2000				75,247.21	2000
3. Other Services and Charges	3000	476,815.03	88,315.39	98,539.68	33,967.81	3000				697,637.91	3000
4. Capital Outlay	4000	239,639.35	70,299.99	38,583.11	70,000.00	4000				418,522.45	4000
5. Misc. Disbursed**	6000	967,204.74	207,234.51	172,174.03	293,415.97	6000				1,640,029.25	6000
6. Transfers of Funds	6000	271,446.00	404,624.00	73,963.00	131,175.00	6000				881,208.00	6000
7. Total Expenditures	9999	2,786,188.03	1,326,228.65	624,596.22	825,494.74	9999				5,562,507.64	9999
FEDERAL REVENUE SHARING FUND		Federal Revenue Sharing General Government	Federal Revenue Sharing Public Safety	Federal Revenue Sharing Culture/ Recreation	Federal Revenue Sharing Township Assistance		Federal Revenue Sharing Misc.	Township Assistance Emergency Loan		TOTAL FEDERAL REVENUE SHARING FUND	
	Code	4501-410	4501-420	4501-450	4501-442	Code	4501-490	0885		N/A	Code
1. Personal Services	1000	-	-	-	-	1000	-	-		0.00	1000
2. Supplies	2000	-	-	-	-	2000	-	-		0.00	2000
3. Other Services and Charges	3000	-	-	-	-	3000	-	-		0.00	3000
4. Capital Outlay	4000	-	-	-	-	4000	-	-		0.00	4000
5. Misc. Disbursed**	6000	-	-	-	-	6000		209,002.85		209,002.85	6000
6. Transfers of Funds	6000	-	-	-	-	6000	-	-		0.00	6000
7. Total Expenditures	9999	-	-	-	-	9999		209,002.85		209,002.85	9999
TOWNSHIP ASSISTANCE FUND*		Township Assistance Admin.	Township Assistance Direct Assistance	Township Assistance Other Assistance						TOTAL TOWNSHIP ASSISTANCE FUND	
	Code	0840.1	0840.2	0840.2		Code				N/A	Code
1. Personal Services	1000	4,518,924.76				1000				4,518,924.76	1000
2. Supplies	2000	100,153.61				2000				100,153.61	2000
3. Other Services and Charges	3000	1,175,226.43		5,730,704.34		3000				6,905,930.77	3000
4. Capital Outlay	4000	74,810.40				4000				74,810.40	4000
5. Misc. Disbursed**	6000	3,580,550.07				6000				3,580,550.07	6000
6. Transfers of Funds	6000	3,968,936.72				6000				3,968,936.72	6000
7. Medical, Hospital, Burial	8000		725,046.56	-		8000				725,046.56	8000
8. Other Disbursements	5000		-	-		5000				-	5000
9. Total Expenditures	9999	13,418,601.99	725,046.56	5,730,704.34	-	9999				19,874,352.89	9999

\*See TA-7 attached hereto for additional information pertaining to township assistance provided by the township.

\*\*Represents repayment of TAW's to Indiana Bond Bank/Temporary Loans and adjustments

ANNUAL FINANCIAL REPORT - INDIANA TOWNSHIPS  
TOWNSHIP FORM 15 (REVISED 2010)

TOWNSHIP: CALUMET  
COUNTY: LAKE

2010

2009 SAME FORMAT  
ID:  
(State Board of Accounts  
USE ONLY)

PART 3A - PAGE 1: DISBURSEMENTS BY FUNCTION FOR TOWNSHIP, FEDERAL REVENUE SHARING AND TOWNSHIP ASSISTANCE FUNDS (REPORT IN DOLLARS AND CENTS)

TOWNSHIP FUND		Township General Government	Township Public Safety	Township Culture/ Recreation	Township Misc.				TOTAL TOWNSHIP FUND
	Code	0101-410	0101-420	0101-450	0101-490				N/A
1. Personal Services	1000	774,260.15							774,260.15
2. Supplies	2000	12,669.98							12,669.98
3. Other Services and Charges	3000	300,908.90							300,908.90
4. Capital Outlay	4000	1,690,573.14							1,690,573.14
5. Purchase of Investments	7000								0.00
6. Transfers of Funds	6000	329,763.89							329,763.89
7. Total Expenditures		3,108,176.06	0.00	0.00	0.00				3,108,176.06
FEDERAL REVENUE SHARING FUND		Federal Revenue Sharing General Government	Federal Revenue Sharing Public Safety	Federal Revenue Sharing Culture/ Recreation	Federal Revenue Sharing Township Assistance	Federal Revenue Sharing Misc.			TOTAL FEDERAL REVENUE SHARING FUND
	Code	4501-410	4501-420	4501-450	4501-442	4501-490			N/A
1. Personal Services	1000								0.00
2. Supplies	2000								0.00
3. Other Services and Charges	3000								0.00
4. Capital Outlay	4000								0.00
5. Purchase of Investments	7000								0.00
6. Transfers of Funds	6000								0.00
7. Total Expenditures		0.00	0.00	0.00	0.00	0.00			0.00
TOWNSHIP ASSISTANCE FUND		Township Assistance Admin.	Township Assistance Direct Assistance	Township Assistance Other Assistance	Township Assistance Misc. Inv.				TOTAL Township Assistance FUND
	Code	0840-441	0840-442	0840-443	0840-490				N/A
1. Personal Services	1000	3,014,248.37							3,014,248.37
2. Supplies	2000	56,462.40							56,462.40
3. Other Services and Charges	3000	390,409.90							390,409.90
4. Capital Outlay	4000	9,683,431.85							9,683,431.85
5. Purchase of Investments	7000								0.00
6. Transfers of Funds	6000	3,966,929.29							3,966,929.29
7. Medical, Hospital, Burial	8000		229,687.31						229,687.31
8. Other Direct Relief	5000		1,605,016.43						1,605,016.43
9. Total Expenditures		17,111,481.81	1,834,703.74	0.00	0.00				18,946,185.55

Although township staff with appropriate system clearance can make corrections to an entry, the incorrect item remains in the system. Thus, to minimize additional work related to items that are posted, it was decided to post all entries at the time of the bank reconciliation process.

3. We strongly disagree that deposits entered and posted to the financial records of the Township can not be viewed. ALL items that are entered into the accounting system can be viewed from the system and in reports once they are entered. In addition to this, an audit trail exists in the system. These items were shown and explained to the examiner during the examination.

### **BILLING AND COLLECTION OF AMBULANCE SERVICE FEES**

1. Ambulance billing was contracted out in 2009, at which time it was pointed out by the consultant that the fees being charged were too low. Thus, in an effort to try to reduce the amount of property taxes collected in the EMS Fund, the township agreed to increase the fees. We will seek board approval for future changes in ambulance fee increases.
2. This was contracted out in 2009 and 2010. The township did receive reports; however, they were not what were promised in the agreement, therefore, the township ended the relationship with the vendor.
3. The township has reviewed and resolved all issues related to billing and collection of ambulance service fees. Additionally, it has acquired a new billing system to assist with collections and billing matters.
4. The township will present the board with updated policies and procedures that “spell-out” the appropriate procedures for accounts that have been determined to be uncollectible.

### **PAYROLL ISSUES**

#### **Salary Resolution**

Calumet Township will consider setting the salaries at an hourly rate or a bi-weekly rate to avoid underpayment or overpayment. In 2008, the board was informed about the additional salary for the IS&T employees for the long hours put in during the 610 Connecticut Street renovation and move.

#### **Employee Service Records**

The statement made by the SBA is misleading. The statement implies that ALL service records are not properly maintained. This is far from the truth. We pride ourselves on maintaining accurate records.

The deputy of IS&T was one of the employees that received additional pay in 2008 for the 610 renovation and move. Clearly his timesheet reflected that. However, the service record did not. The township will make sure that in those instances, the service record matches the timesheet.

#### **Compensated Leave**

In all instances of advanced vacation and sick days, employees had a medical or life changing circumstance where they needed to be off of work. The employees wanted to lose the least pay possible. The Personnel Department made the decision to advance vacation or sick days if the employee had worked 80% of the current year or previous year, which earned them such compensated leave in the next accrual period.

### Payroll Advances

Calumet Township has discontinued paying employees before their scheduled pay date.

## **DISBURSEMENTS**

### Lack of Itemized Vendor Invoices

The township believes that the instances identified are isolated incidents. Even though the township has a contract with a vendor, the township will begin obtaining itemized invoices substantiating estimates made in the contract.

As explained to the examiner, the \$1,000 was donated to the township by a local agency. The purpose of the funds was to provide for client food needs. The funds were used to purchase gift cards that could be used by clients to purchase food. However, the clerk who entered the item in the system entered it as though the township purchased food baskets. In the future, township clerks will more clearly define what purchases are being made for.

Again, the township believes that this is an isolated incident. Township staff rarely travel to conferences outside the township, with the exception of the township association meetings which are held twice a year. However, in the future, the township will collect and attach the hotel invoices to the claims.

### Per Diem and Meal Payments

The practice of advancing per diems was a practice related to Resolution No.93-20. The township followed the resolution. In addition, the township also recognizes that its employees may not always have personal funds readily available for travel-related township business; thus the reason for the advance per diem payments to the employees.

As explained to the examiners, while at township conferences, the trustees have agreed to rotate who is responsible for the food as they discuss township related matters. As explained to the examiners, at this conference, Trustee Elgin was responsible for the meals that were provided to her colleagues and legislators as they discussed township business.

### Credit Card Usage

The township has one credit card and it is only accessible to the trustee and those whom she allows to utilize it. The trustee allowed the card to be used by maintenance staff to purchase fuel for township vehicles which is in accordance with township guidelines. However, the township will maintain a purchase log to indicate authorized users of the credit card.

### Computer Software Controls

As explained to the examiner, there are compensating controls in place to discourage the practice of back dating checks. A log of check numbers by sequence is maintained and is reviewed each time that a check is written. If a check is back-dated, the sequence would be out of order. The township will continue to monitor this situation that has been identified as part its system of internal controls.

### **TOWNSHIP VEHILCLES**

The SBA examiners indicated that a mileage log should be maintained by the trustee. The trustee will begin maintaining a mileage log. The “fringe benefit” for the value of the Trustee’s take home vehicle is now included on the Trustee’s Form W-2.

As it relates to reporting of mileage activity, the township has developed and implemented a new reporting procedure that will reflect the nature of the business miles driven. The examiners indicated that personal usage of the township vehicle is acceptable. This is because the employee that utilizes a township vehicle is required to have the amount included in the employees W-2 earnings as fringe benefit for vehicle usage.

### **COSTS BORNE BY THE ASSISTANCE FUND**

The township believes that the majority (approximately 95%) of the services that the information technology personnel, chief deputy and building and maintenance supervisor provide are related to the Township Assistance Fund.

The township believes that all expenditures related to the financial consultant were properly categorized and utilized

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